

## **CAPITAL PLANNING ADVISORY BOARD**

### **Minutes of the Fourth Meeting of the 1999 Calendar Year**

**August 13, 1999**

The fourth meeting of the Capital Planning Advisory Board (CPAB) of the 1999 calendar year was held on Friday, August 13, 1999 at 9:00 AM, in Room 327 of the Capitol. Representative Perry Clark, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Perry Clark, Chairman; Bill Hintze, Vice-Chairman; Susan Clary; Glenn Mitchell (representing James Codell); LaChele Taylor (representing Bonnie Howell); Lou Karibo; Cicely Jaracz Lambert; Norma Northern; Senator Albert Robinson, Nick Schwendeman; Laurel True, and Judge Edwin White.

Guests Appearing before the Board: Commissioner Armond Russ and Jim Abbott, Department for Facilities Management; Aldona Valicenti, Chief Information Officer of the Commonwealth, and Sherron Jackson, Council on Postsecondary Education.

LRC Staff: Pat Ingram, Mary Lynn Collins, Lola Williamson Lyle, and Phillip Smith.

Mr. True's motion that minutes of the July 7-8 meeting be approved was seconded by Mr. Hintze, and approved by voice vote.

Chairman Clark asked CPAB Staff Administrator Pat Ingram to briefly review the three information items in the members' folders.

Ms. Ingram said the first item reports that while the state did end fiscal year 1998/99 with a budget surplus, it was not as much as had been anticipated when the Surplus Expenditure Plan was enacted in the 1998-2000 budget. As such, three projects will not receive as much funding as had been anticipated from the budget surplus at the end of fiscal year 1998-99. Those projects are the School Technology Projects Fund, the Technology Trust Fund (which funds the EMPOWER Kentucky initiative), and the Budget Reserve Trust Fund.

Ms. Ingram said the second information item identifies the postsecondary education institutions that have submitted revised capital plans. These revisions, to be submitted to the Council on Postsecondary Education (CPE) and the Board by August 1,

were intended to allow changes based on the space planning guidelines adopted by the CPE in July. Ms. Ingram noted that the only other revised plan received thus far is from the Department of Military Affairs; that revision corrects the Bluegrass Station projects to identify restricted funds only as the source of funding. At the July CPAB meeting, the Department had noted that its original submission reflecting both general and restricted funds was in error.

According to Ms. Ingram, the third information item addressed members' long-standing interest in various alternatives being available when agencies are seeking to meet their space needs. She reported that three leases have now been executed under the provisions of KRS 56.8035 which allows for a proposal for new construction to be considered when the Department for Facilities Management solicits space for lease. Previously, a facility could not be considered for lease by the state unless it was completed to the point where it was ready for interior finishes.

Mr. Hintze said he wanted to make a point of clarification regarding the item on the budget surplus. He said while there was a little shortfall in general fund revenues, that is not the same as the fact that the surplus expenditure plan was not funded in the maximum amount permitted. The Administration did not necessarily expect the surplus plan would be fully funded; the amounts available should be regarded as a windfall rather than a shortfall.

Chairman Clark said that legislation recommendation by the CPAB in 1991 and enacted by the 1992 General Assembly called for the Department for Facilities Management to develop long-range plans for housing state agencies in Frankfort and in the metropolitan areas of the state. After noting that the Board had previously heard presentations on the Frankfort plan, he introduced Facilities Management Commissioner Armond Russ and Jim Abbott, Director of the Division of Real Properties, to report on the plans for Louisville, Lexington, and Northern Kentucky.

Commissioner Russ explained that, unlike the study for Franklin County, a consultant was not used for the metropolitan areas study although some of the same techniques were used. He said the Division of Real Properties had put together this study, and asked Mr. Abbott to review it with the Board.

Mr. Abbott said he would first like to comment on the information item concerning the option for new construction to be offered in response to solicitations for lease property. He said that has been a useful tool because it provides for additional competition, although it might seem surprising that new construction can compete with existing space when awards are based on the low dollar bid. Mr. Abbott further stated that there have been no offerings of new construction for lease space in Franklin County,

but that may change given the continuing demand for space and the reduction of existing space.

Turning to the metropolitan areas plan, Mr. Abbott said the same methodology as had been used in the Franklin County study had been used for this one which addresses Boone, Campbell, Fayette, Jefferson, and Kenton Counties. It benchmarked current utilization and costs, developed models to determine space needs, looked at realignment of existing space, developed models to address the cost of housing (e.g., whether it is better to lease, own, or purchase), and made recommendations that dealt with future space usage.

Mr. Abbott said to get the information to make recommendations, they looked at the buildings currently being used including their physical condition, determined current staffing, and surveyed agencies relative to expected growth. He directed members' attention to Appendix A which listed the county assessments that had been done – existing leased-in space, existing state-owned space, maps of both types of property, projections of present and future needs; historical lease information, percentage of leased vs. owned space, and the analysis of lease vs. build vs. purchase. Much of the data covers an 18 year period.

Mr. Abbott then reviewed the Fayette County data as an example. He said a great deal of time has been spent upgrading the Division's leased property database, such that it can currently provide a lot of information about each lease. He said the state-owned property database is being transferred to the same type of software package being used for the leased property database to provide for easier access and manipulation of the data. Additionally, the database will be connected with other agencies in the Department for Facilities Management to provide information about construction and renovation projects in the building, property easements, etc; this will apply only to the facilities administered by the Finance Cabinet, not those administered by other agencies.

Relative to the table on present and future personnel and square footage needs, Ms. Clary noted that it identified the condition of the existing space and asked whether such information was available in the database. Mr. Abbott said that information is included. He said in the early 1980's, with funding provided for an energy audit, they were able to increase staffing to go on site to audit the condition of state-owned buildings. When funding ended in the late 1980's – early 1990's, that staff could not be maintained, so reports from the database are now sent to the agencies annually to review and update. The accuracy of the information is dependent upon the individual reporting it. Ms. Clary said the Board may need to make a recommendation on this issue.

Chairman Clark asked why the employee projections were for the year 2000, rather than looking at a longer time frame. Mr. Abbott said he could probably identify

some trends, but it is difficult to predict the various factors, including legislative changes, that can affect the number of employees. Commissioner Russ said further study is needed to determine what type of agencies are located in the metropolitan areas; his assumption is that they are primarily agencies providing direct, front-line services to citizens and, if so, the growth pattern would likely parallel the growth of the county.

Mr. True said some of the offices probably have an administrative or coordinating, rather than service delivery, function and asked at what point should a decision be made to construct a building to consolidate them. Commissioner Russ said a consolidated office building may be a valid option, but more in-depth study is needed at this point. He said the point of the EMPOWER Kentucky initiative was that support functions should be automated as much as possible such that, theoretically, the need for support staff should be reduced and that staff could be located anywhere. Commissioner Russ also noted that there are policy issues about how services should be delivered; for example, the Cabinet for Families and Children has offices in every county in the state. He said consolidation may be the correct economic decision, but not be the right policy decision.

Mr. Abbott said the Division of Real Properties is a service organization, not a policy-making organization; they are property people, not program people. He also said recently the Division had been asked to break up an office in Jefferson County that had been consolidated about 25 years ago so that services could be provided closer to the client base.

Mr. Hintze said program decisions are made on a de-centralized basis by the individual user agency; there is no entity that looks at the state government perspective across agency lines. Sometimes that perspective may be superimposed on an ad hoc basis, such as the new building where state offices in Winchester are to be consolidated.

Mr. Hintze noted that Cabinet for Families and Children (CFC) Secretary Viola Miller had testified before the Board in July that many of the CFC office locations were in substandard facilities. He said there might be some economies of scale if they could have multi-county consolidations or link with another cabinet or agency.

Mr. Hintze said there is a void in the system if de-centralization is seen as a flaw; it may be something the Board needs to address.

Mr. True said he hoped the Department would move from being a reactive agency, to being a pro-active agency which sets policies and guidelines relative to the housing of agencies.

Returning to the report, Mr. Abbott said the number of leases in Fayette County had been reduced from 23 in 1981 to 15 now, primarily due to the consolidations

involving the CFC. Similar action was taken in Jefferson County, with the lease and subsequent purchase of the L&N building.

Senator Robinson asked whether there had been changes in the number of state-owned facilities. Mr. Abbott explained that the only major impact was created by the acquisition of the L&N Building. He said three leases reported for the Kentucky Horse Park in Fayette County are actually buildings that will eventually be owned by the Commonwealth; they were constructed under the build-to-suit statute. Mr. Hintze said the state has not constructed new office buildings for a long time. He said the space Mr. Abbott referenced in Fayette County was not built at state expense which is why build-to-suit or other arrangements are under serious review now for that purpose.

Mr. True asked why, in the chart of leased space from 1991 to 1998, some of the costs remain the same, while others increase significantly. Mr. Abbott said this is a relatively short timeline, and where the costs remain the same may reflect the fact that the state can lease for a period of eight years. Otherwise, when modifications are made to the property, those costs are amortized over the term of the lease. Mr. Abbott said, statewide, the normal stay in leased property is 11 years, while in Franklin County it is much longer. Mr. Russ added that over the 18 year period reviewed in the plan, lease rates have increased at an annual pace of about 3 percent.

Relative to the lease vs. build vs. purchase analysis, Mr. Abbott, said in all of these five counties it would be better for the state to either purchase or build as opposed to continuing to lease property. The analysis uses as a benchmark the per square foot cost of the most recent lease in the county and gives the cost for continuance of that lease as a present value figure. Mr. Abbott said changes in the supply and demand for space can affect this analysis. He noted that when the Leestown space became available for lease in Frankfort, it basically froze the rental rates for several years, until that property was filled.

Senator Robinson asked whether there is any consideration of the local taxes the lessor is paying to the state and community that would be lost with state ownership. Commissioner Russ said that has not been factored into the figures, but in these metropolitan areas, the state is a minor player in the rental market. The state does not affect pricing in those areas like it does in Franklin County because of its size relative to the market. He added that the downside to having a glut of rental property available is it appears to reduce the amount of new construction for rental property and the refurbishing of existing rental property.

Senator Robinson said he hopes when property is sought the Department would be more willing to use space as it currently exists, which would be less costly, rather than seeking alterations to meet exact specifications.

Commissioner Russ said just looking at the figures, the right approach may be to construct a building in each of the metropolitan areas. However, there are also programmatic issues which may need to be addressed. As such, he said the study needs to be continued to look at the agencies and their predicted programmatic changes. Population shifts also need to be considered so that any new building would be constructed in the location where it is needed. Unlike leasing, he said a building cannot move when the population shifts. Commissioner Russ said there needs to be some policy direction regarding consolidation of agencies and whether it is important to have one-stop government centers.

Commissioner Russ noted that the average lease cost per square foot in Lexington is now \$9.70; the \$13.00 figure was used in the analysis because that is the cost to obtain space which meets current standards. The state is saving money, because some agencies are now in substandard facilities. Thus, one policy decision is whether to stay in substandard conditions and save taxpayer dollars or to have facilities which reflect a better image for the state.

Commissioner Russ said another policy decision is defining the role of the Department for Facilities Management. Currently, they are in a reactive mode – trying to address requests as they come in from the agencies, and if they are fortunate, sometimes multiple requests come in at the same time and an effort toward consolidation can be undertaken. However, looking at long term needs has not been a part of that role.

Commissioner Russ concluded his presentation by saying he was seeking some guidance from the Board as to the direction in which to go with the future study effort.

Mr. Hintze asked whether the Department feels it has the statutory authority to view this from an over-arching policy perspective and simply lacks that charge or does it believe the statutes define the Department strictly as a service and facilitating unit. Mr. Abbott said he feels they are a service organization; they try to address agency requests and may make suggestions about consolidation, etc., but decisions are ultimately made by the agencies.

Mr. Abbott said the management of space is more difficult in Franklin County than elsewhere in the state. He added that if there is money to be directed toward establishing the permanency of government in a particular location, Franklin County should be a high priority, followed by the metropolitan areas. Mr. Abbott particularly referenced the problems of the Natural Resources and Environmental Protection Cabinet which has offices throughout Frankfort.

Commissioner Russ said agencies deal with their programs, and the Department for Facilities Management deals with the facilities which are an outcome of the programs. It does not feel it should be dictating to agencies about their programmatic facilities. Commissioner Russ said the common ground among agencies is offices, but the Department has not gotten involved early enough to have a real impact on those needs. Offices, rather than parks or prisons, might be an area where the Department could provide some clarity and guidance.

In response to Judge White's questions about whether the Department wants that authority, Commissioner Russ said he was very proud of the Department and that its staff has the expertise or can find the answer to almost any facilities-related issue. He said there are a lot of state office buildings and that the Department could not take on the responsibility for all of them overnight.

Chairman Clark asked whether the Department is currently working on taking over the Cabinet for Families and Children (CFC) office buildings. Commissioner Russ said there will be a meeting on this issue in the next week. He said the discussion began with CFC's Ashland Building, but the issue has now been broadened. They do not yet know the exact mechanism that might be used to transfer the buildings to the Department. Additionally, there are questions about the fact the CFC sublets space in some of their buildings to local agencies for a reduced rental charge.

Chairman Clark asked whether the analysis of build vs. lease in the study included maintenance costs or just the cost of construction. Mr. Abbott explained that the assumptions page in the report lists the costs included in the analysis to refurbish the property at specified intervals.

Chairman Clark thanked Commissioner Russ and Mr. Abbott and said the Board would now begin working on recommendations for inclusion in its *1998-2004 Statewide Capital Improvements Plan*. Ms. Ingram explained that, based on her review of previous meetings of the Board, she had identified those issues on which it appeared the Board was interested in making policy recommendations. Those issues can be grouped into the categories of use and maintenance of state-owned facilities, court facilities, information technology, and other. Because the Judicial Branch will be presenting its proposed recommendations to the Board in September, discussion of those issues will be deferred until that meeting. As each of the other issues is discussed, Ms. Ingram said she would like to have some direction from the Board as to how she should proceed in drafting a more specific recommendation for the next meeting.

As the first item under use and maintenance of existing facilities, Ms. Ingram said it had been suggested that the Board might want to make a recommendation that facilities not specific to an agency's programmatic responsibilities be transferred to the Department

for Facilities Management. This would primarily be office buildings, but there might be a few isolated instances of other buildings that do not relate to the agency's mission. Mr. True said he thought it was a good management practice and would like for the Board to pursue this recommendation. Chairman Clark said he agreed and that it would be necessary to identify where it would apply.

Mr. Hintze said he did not know what mechanism would be required to affect such a transfer (e.g., executive order, statutory change, memorandum of understanding), but he thought it should be done unless an agency could make a persuasive case against the transfer. He said he knows Commissioner Russ is concerned about the Department being able to handle the additional workload from a staffing and budgetary perspective, but that can be addressed through the budget or through an Executive Order if the resources need to be transferred or consolidated. Mr. Hintze said input should be solicited from those who would be affected. Ms. Clary said the Board needs to ensure that the Department is given the necessary resources along with the buildings, some of which are in poor condition. Mr. Hintze added that giving this responsibility to the Department would provide for a centralized perspective of what needs to be done with the facilities.

In response to Mr. True's question, Mr. Hintze said the new History Center is the responsibility of the Department for Facilities Management. He noted, however, that the State Arsenal, which houses the state's military history museum, is administered by the Department of Military Affairs even though programmatically it is connected to the History Center.

Chairman Clark then called on Aldona Valicenti, the state's Chief Information Officer, who had requested to address the Board. Ms. Valicenti said the Board might also want to consider, relative to facilities needs, the trend toward telecommuting. She noted that the CFC has a pilot project involving about 50 employees. She said using their home as their office base makes more sense than commuting to a central facility and then going back out to see clients, as had previously been their practice. Ms. Valicenti said telecommuting is a trend in the private sector, and is likely to become one in the public sector. She said it might become possible to have a central building serving several counties to which employees would come only every week or two. This might have potential for social workers, probation officers, and possibly also the Natural Resources and Environmental Protection Cabinet. It may have more of a long term, rather than an immediate, impact. Chairman Clark thanked Ms. Valicenti for her comments and noted that trends in the coming years do need to be considered.

With regard to the recommendation on centralized management of office space, Mr. Mitchell asked whether there might be a potential loss of economies of scale in some instances. He noted that the Transportation Cabinet has a real property maintenance function located throughout the state which deals with the needs of both programmatic



and office facilities and asked whether the Board might want to continue using that approach where it is currently in place. Mr. True said that was a valid point.

Ms. Ingram said the next issue was who should be responsible for the state-constructed, but locally-operated senior citizens and child day care centers. She said there appeared to be sentiment on the Board that these facilities should be transferred completely to the local entities which are operating them. The facilities were constructed in the early-to-mid 1990's with state funds and the state retains responsibility for maintenance needs costing over \$5,000. Ms. Ingram said she did not know how the fact that some are operated by local governments and others by local non-profit groups would affect their ability to be transferred from the state.

Mr. Hintze noted that at the last meeting there was concern that the condition of several of the senior citizens facilities was reported as poor by the Cabinet for Health Services, while the other facilities constructed at the same time were reported to be in good condition by the Cabinet for Families and Children. He said CHS had indicated it would be revisiting its records and reports to ensure the accuracy of its condition report. Ms. Ingram said she had followed-up on this, but had not yet heard back from the Cabinet.

In response to Mr. True's question, Ms. Ingram confirmed that the Cabinets appear to support this proposal. She said she had hoped to have more information in that regard for this meeting.

Mr. Hintze said if the intent was to transfer responsibility for maintenance and continuing repair as well as the state's ownership interest in the facilities, that would need to be written into the transfer conveyance. Mr. True said it was.

Mr. Hintze confirmed that Ms. Ingram should again seek additional information from the Cabinets.

Ms. Ingram said the next issue is whether the programmatic needs justify the state operating all of its existing facilities. She noted that at the July meeting, the Cabinet for Health Services had indicated it would be doing an in-depth study of its facilities relative to its programmatic responsibilities. In conjunction with that discussion, there were comments from some members that perhaps this type of programmatic review of the facilities should be done by other cabinets as well. Ms. Ingram said she would need more direction in developing this recommendation, such as which agencies would be required to do the review; they range from the Kentucky Center for the Arts (KCA) which has only one facility to the Department of Corrections which is responsible for all of the prison facilities.

Ms. Clary said all agencies should be reviewing their programs and facilities. Mr. True added that the agencies operating facilities should have such information available and be able to project future needs and options for meeting those needs. He said he would not exempt a small agency like the KCA.

Mr. Hintze said Ms. Valicenti's comments were very complimentary to this type of review which addresses how services are rendered. This would be reinforcing what agencies are expected to be doing every biennium as a part of their normal planning and budget process.

Mr. True said consistent categories and definitions for facilities condition reports should be used regardless of which agency or cabinet administers the building. In response to a question from Mr. Hintze, Sherron Jackson, Director for Facilities at the Council on Postsecondary Education, said postsecondary education's database does include indicators of facilities condition; definitions of the categories are based on research with the Association of Physical Plant Administrators and the National Association of College and University Business Officers. He added that as a result of a directive by the 1998 General Assembly, they have established maintenance standards for the institutions and developed baseline information on whether various building systems have met or exceeded their expected life cycle. Ms. Ingram noted that she can also request from the Department of Education the set of condition categories that are used in conjunction with local school district facilities.

Ms. Northern said that while a condition report is important information, the longer term goal should be to get maintenance commitments from all state agencies. She said that is the only way to break the cycle of deferred maintenance.

Ms. Ingram said relative to a possible recommendation for a review of agency programmatic facilities, one factor to be considered is whether such a review should be done in-house by the agency or by an outside group. She said that at the July meeting it had been suggested that there be a review by an independent entity similar to the federal government's base closure commission. Chairman Clark said that to have consistency of standards he would like for the same group to be making all of the decisions. Ms. Northern said the agency would need to provide programmatic input, but some may not have the expertise to evaluate facilities conditions or identify solutions that would involve information technology.

Ms. Ingram said other issues to be considered would include whether the review just looks at current programs and facilities or whether it should project ahead for a specific number of years, what type of information should be included in the final report, and to whom the report should be made. She said the authority for doing this might be covered by the CPAB statute which states that agencies, when requested, shall provide

the board with supplemental information concerning any real property owned or leased by the agency. Ms. Ingram added, that the guidelines under which the agencies submit their plans call for providing this type of information in a very general way; the agency in its plan overview is to relate its facilities needs to its programs.

Ms. Valicenti suggested that there are two assessments that could be done. The first would look at whether running a given facility is core to the mission of the agency. The second would look at how programs are going to change.

Chairman Clark said it was important to look at future trends in service delivery, and how that will affect state properties.

Mr. True said programs must be looked at because the buildings are there to deliver services to the people. He added that the Department for Facilities Management also needs to be involved for the sake of consistency.

Ms. Clary said the Board could ask for an in-depth, long term review that would involve a team approach and in the short term make sure each agency does its own review and reports to the Board with information that should be readily available, such as the Cabinet for Health Services is planning.

Commissioner Russ said because programmatic changes are hard to predict, other than in Franklin and the other five counties discussed earlier in the meeting, the Department has adopted a strategy of only leasing, rather than building, for office space. He said in smaller counties programmatic changes can have a significant impact on space needs. Commissioner Russ said even in the larger counties, where construction is being proposed, the strategy would be to still retain some leased space to allow for flexibility.

Mr. True said he is particularly concerned about two areas where the state needs to make some long-range public policy decisions – in Health Services, many facilities are in bad shape and decisions about replacement will have to be made; and in Corrections, a lot of construction is being proposed. He said while administrative and office buildings are important, this recommendation should focus on the buildings in which services are delivered.

Chairman Clark said the issues that affect facilities are bigger than this Board, for example prisons must be constructed when there is a mandate that 85 percent of a sentence must be served. The General Assembly would need to address that.

Mr. True said he would like for this recommendation to be developed further, perhaps with the help of Commissioner Russ and Ms. Valicenti.

Mr. Mitchell said agencies are supposed to be looking at changing needs and missions on an ongoing basis and that changes made at the agency level are usually done on the margin. He said major changes almost always come from a higher level. For example, the initiative which closed and consolidated some warehouses, came from the Governor's office under EMPOWER Kentucky.

Mr. Mitchell said asking the agencies to review themselves probably will not generate much of a response; it would probably be better for the Board and others to pose the question, "what if we did this, how would it affect your facilities needs?" Mr. Mitchell said his concern about an independent review is that the group may not know what they are looking at; he said the agencies know best what their missions and programs are and how best to accomplish them. Chairman Clark said he would like to blend an agency-conducted review of programs with an independent review of facilities.

Ms. Ingram said she would be in touch with members as this recommendation is drafted.

Ms. Ingram said the next item related to revenue-generating facilities with authority to use those revenues for management and operations including the creation of an adequate reserve for repair, replacement, debt service, and capital improvements. The issue is whether they should be encouraged more strongly to put funds into such a reserve for future needs and whether these entities that do not go through the normal state budget process should be subject to some type of budget review to determine the level of funding that is being, or should be, used for capital needs. She said the entities involved would be the Kentucky Center for the Arts, the Northern Kentucky Convention Center, and the three new entities that were created as a result of the 1998-2000 budget, the Eastern Kentucky Exposition Center, the Red Fox Golf Course and Tourism Project, and the Berea Artisans Center. Mr. True said there ought to at least be some type of reporting on how much they are setting aside for the reserve. In response to Chairman Clark's question, Ms. Ingram said the statute does not require that a specific percentage be set aside. Chairman Clark also agreed there should be some reporting.

Ms. Ingram said the last item on the use and maintenance list relates to the need for a funding approach to provide adequate on-going support for maintenance of state-owned facilities. Chairman Clark said the most important thing this Board can do is try to find a way to address on-going maintenance, but it will also have to convince others of this need. He said the state should avoid another situation like occurred when the state parks needed a massive infusion of funds to address needs that had accumulated over time. He said handling needed repairs on an ongoing basis should result in a cost savings to the state. He noted that the hotel/motel industry has a formula where they set aside funds for planned maintenance. Ms. Ingram was asked to talk to Mr. Hintze about developing a recommendation for the next meeting.

Mr. True asked that an item be drafted for the next meeting to address the need for all agencies, whether or not they are managed by the Department for Facilities Management, to use the same approach in tracking maintenance. He also said he would like for the Department for Facilities Management to establish some standard and consistent policies to be used by all agencies that manage facilities.

Ms. Ingram said the next issues were in the area of Information Technology. They were the four recommendations from Ms. Valicenti's report to the Board in July for which she specifically requested the Board's endorsement. Mr. True suggested that discussion of these items be deferred until the Board's next meeting. Chairman Clark agreed saying these appeared to be good recommendations. Ms. Ingram pointed out that the last proposed recommendation referenced changing the Information Technology system definition in the capital planning statute, but that a similar change would also need be made in the budgeting statutes.

Mr. True said he wished the law could be changed to add the Chief Information Officer to the Capital Planning Advisory Board.

Ms. Ingram said the last group of issues are identified in the category of "other," but they are all items that have been addressed by the Board in past recommendations. The first two addressed encouraging alternatives to incarceration as a means of reducing the need for additional prison construction and encouraging prevention programs and alternatives to reduce the need to construct additional juvenile facilities.

Referring to the material provided by Corrections Commissioner Doug Sapp, Judge White said it was a good response but did not provide any figures on the use of alternatives to incarceration or how they may impact the projected growth in the prison population. He said it is his opinion that some of the alternatives will have no impact at all; for example, pre-release probation is not a good concept and is not accepted by those on the trial bench. An independent entity is needed to advise on these types of things.

Judge White said the problem to be addressed by the General Assembly is how to handle crack cocaine. Otherwise, the prison population will continue to grow as currently projected. He said the state cannot build itself out of the problem. It must decide whether to spend on school children or on adult prisoners.

Difficult decisions must be made about who to incarcerate and why and how to deal with those who need treatment rather than prison. Judge White said Commissioner Sapp is not the one who should have to address that.

Ms. Clary said the information from both Commissioner Sapp and Juvenile Justice Commissioner Kelly was a listing of programs with little data on their use and asked that

staff make a request for the more specific data. She said the state is spending very little up front to deal with the problem. She said Commissioner Kelly reported on the use of federal funds, but those were often for things such as after school programs, not things that would really keep juveniles out of the system.

Ms. Clary said this relates to programming issues discussed earlier – do you build prisons because that is the business Corrections is in or do you challenge, for example, the whole concept of how to deal with the drug culture.

Mr. True suggested a recommendation that a group be established by the General Assembly and use outside consultants to evaluate the current program and where it is going. He said until the system is challenged and the real problem is identified, it cannot be turned around.

Judge White said it would be interesting to see what the profile of a prisoner is. He said at least 50 percent of the new prisoner growth is directly related to crack cocaine, but a problem is that someone may be classified as being in for a robbery offense when, in fact, what triggered it was crack cocaine. Judge White said it would be helpful to have some analysis to show the General Assembly what this one problem (crack cocaine) is doing. He said not nearly enough treatment is available, but it will be difficult to convince the General Assembly to treat crack cocaine problems as anything other than a crime. He said it at least needs to be discussed.

Chairman Clark said it would be interesting to see the numbers of people being treated, and Ms. Clary said it would be good to know what the limits are on the availability of treatment. Mr. True said there must be something to address the problem or the state will not be able to build enough prisons.

Ms. Ingram said the next issue was the Budget Reserve Trust Fund, on which the Board had made recommendations for funding in its last three plans. The Board has basically been on record as wanting to increase the amount of funding in the Budget Reserve Trust Fund to reach the 5 percent level that is called for in statute; it is currently at 3.6 percent. Mr. True said he thought the Board should keep this issue before the General Assembly.

Ms. Ingram said the next item related to the long-range plan for state offices in Frankfort, which has also been a long-standing interest of the Board. When that plan was presented to the Board last year, Commissioner Russ said he would like to have the Board's input and support for it. The plan provided for a cycle of renovations to address functional obsolescence of the major state office buildings, newly renovated space to replace leased space at the end of the renovation cycle, creation of new usable space as a result of the functional obsolescence renovations, and construction of new state-owned

space to replace leased space. Judge White said he thinks the Board needs to endorse the plan.

Ms. Ingram said that concluded the potential policy recommendations, until the Judicial Branch makes its presentation next month, unless the members wanted to make additional proposals.

Regarding project recommendations, Chairman Clark reminded members that previously they had been asked to list ten projects. Since postsecondary education projects were not available to be included at the time, he is now suggesting that the lists be expanded to 15 projects in any combination; it is not necessary to keep the 10 already submitted and just add five from postsecondary education. He urged members to submit those lists as soon as possible after the next meeting, because they will have to be considered at an early October meeting in order to complete work on the Board's report by the November 1 due date.

Ms. Ingram noted that information on other items that will need to be addressed in conjunction with the project recommendations was also included, for review, in the members' folders. She said the Board's next meeting on September 15 will last all day in order to include everything that needs to be on the agenda – postsecondary education; Judicial Branch recommendations on the funding, planning, and oversight of court projects; and further discussion of policy and project recommendations. She said two meetings may be needed in October to complete work on the Board's *1998-2004 Statewide Capital Improvements Plan*.

There being no further business, the meeting was adjourned at 11:50 a.m.